

3 July 1958

MEMORANDUM FOR: Chiefs, All Area Divisions
Chief, IO Division

ATTENTION: [REDACTED] Deputies 25X1A8a

SUBJECT: Guidance on Yugoslav-Soviet Relations

REFERENCES: A. 25 April 1958 Memorandum "Guidance
for Exploitation of Yugoslav Congress
B. 29 May 1958 Memorandum "Guidance of
USSR Suspension of Yugoslav Credit
Agreements"

I. BACKGROUND

1. In addition to its other ramifications, the secret trial and execution of Imre Nagy and his associates appeared to bring to nearly full circle the course of Moscow-Belgrade relations since 1948. The highlights of these relations commencing with the original Stalin-Tito dispute over independent roads to Socialism, can be summarized briefly from 1948 to 1955. Yugoslavia was subjected to a wide variety of pressures by the Soviet Union. These pressures, with varying degrees of intensity, included: political and psychological intimidation, threats of military intervention in the form of Soviet-inspired minor border incidents, and the unrelenting manipulation of economic agreements--all designed to bring Yugoslavia into closer conformity with Moscow's doctrinal leadership and with the bloc's internal economic, social and political practices. None of these measures was successful. Finally, Khrushchev in 1955 went to Belgrade to make "public peace" with Tito. From this meeting emanated the Belgrade Declaration of June 1955, which recognized Yugoslavia's "separate road to Socialism" and pledged mutual non-interference in internal affairs which would assure peaceful coexistence.

2. In February 1956 Khrushchev's secret speech on Stalinist mal practices augured well for a continuation of these policies. Through the spring and summer of 1956 the relaxation of Stalinist controls in the

Satellites resulted in increased popular ferment and demands for liberalization and finally was climaxed in October by the revolts in Poland and Hungary. With the brutal suppression of the Hungarian uprising in November 1956, Yugoslav-Soviet relations took a downturn which was never reversed. The arrest of Nagy after he had been guaranteed safe conduct upon his departure from the Yugoslav Embassy in Budapest became a permanent issue in the Moscow-Belgrade debate.

3. In November 1957, although they attended the October Revolution 40th Anniversary celebration in Moscow, Yugoslav representatives declined to sign the 12-Party Declaration, the main theme of which was Bloc solidarity under Moscow leadership. At its 7th Congress, the League of Yugoslav Communists presented a Party program which, although worded in conciliatory language, stoutly reaffirmed the Yugoslav position on almost all the doctrinal issues which had precipitated Tito's break with Stalin in 1948. Shortly thereafter, the entire Soviet Bloc following the original violent accusations of Peiping, branded as "Revisionist" the Yugoslav program and Yugoslavia's separate road to Socialism and termed them the major threat to Soviet Bloc solidarity.

4. Soviet Foreign Minister Gromyko on 27 May 1958 announced the USSR's unilateral suspension \$285 million in Bloc economic credits to Yugoslavia. Khrushchev in his 4 June 1958 speech at the Bulgarian Communist Party Congress, labeled Yugoslavia "the Trojan Horse of imperialism". The announcement of the execution of Imre Nagy, a symbol of revisionism in the Sino-Soviet Bloc, was made on 16 June 1958.

5. The latest development in the continuing evolution of Belgrade-Moscow relations are announcements from Moscow and Berlin concerning Bloc trade with Yugoslavia. The USSR in a 28 June 1958 note to Yugoslavia denied that the 27 May 1958 Soviet note was a "unilateral suspension" of Soviet credits to Yugoslavia, as the Yugoslavs had charged, and stated that the USSR merely had suggested a revision of the dates for the utilization of Bloc loans and that in so doing the USSR "had the interests of Yugoslavia in view". Yugoslavia, in its 3 June reply to the 27 May Soviet note, stated that Belgrade "cannot accept the reasons advanced" for the credit suspension and commented: "Such steps by the Soviet government... can only jeopardize the normal relations between our two countries". The 27 May Soviet note has been exploited both in Yugoslavia and other countries as an example of the fact that Soviet aid agreements are politically inspired, and a warning that the Kremlin can and does turn the aid spigot on and off for political considerations. The 28 June Soviet note proposed a meeting of Yugoslav and Soviet representatives "for a businesslike discussion of the questions raised by the Soviet Union and to reach agreement on amendments to the aforesaid agreements".

II. ANALYSIS

6. The subject of Soviet-Yugoslav relations ranked high in the 5-23 May discussions at the 8th Congress of the Chinese Communist Party*and the 17-18 June 1958 meeting of the CPSU Central Committee. This is reflected in the 5 May 1958 People's Daily editorial which carried a scathing attack on the Yugoslav regime; and in the fact that this editorial was published in full in the USSR press. There now is little doubt that Bloc policy toward Yugoslavia was delineated at these meetings of the USSR and CPR hierarchies. Subsequent actions and statements from Moscow, Peking and elsewhere in the Bloc have made it abundantly clear that Yugoslavia once again is to be subjected to an intensive communist campaign designed to destroy the stability of the Belgrade regime and its independent brand of communism. Equally important as a Bloc goal is the aim to minimize the influence of Yugoslavia as an attractive form of communism to Bloc nations in Eastern Europe, as well to lessen the impact of Yugoslav actions and statements in neutralist and uncommitted nations. Many observers opine that the current policy toward Belgrade is prompted primarily by Soviet anxiety about continued restlessness in the Soviet Satellites in Eastern Europe, particularly Poland.

7. An augury of things to come was the November 1957 Moscow meeting of communist parties which was followed by a Bloc campaign against "revisionism." In view of these developments there is every indication that the Moscow-Belgrade schism may widen and become a major factor in Free World and Soviet Bloc relationships. Moscow obviously desires to have maximum Bloc unity in the campaign against Yugoslavia. The continuing debate tends to hinge, therefore, on a key Sovietwulnerability--Bloc solidarity--and thus represents a major target for Western psychological exploitation in the foreseeable future.

8. It appears that the 28 June Soviet note is a tactical maneuver by the Soviet Union to attempt to offset the negative publicity, particularly in underdeveloped areas, sparked by its 27 May suspension of the Yugoslav credits. Reaction to the credit suspension generally has been along the lines that Soviet Bloc aid always has strings attached and that political and economic considerations are inseparable in Soviet maneuvering. The GDE-Yugoslav agreement to increase mutual trade probably was a Soviet gambit to counteract the reaction that "strings without aid" is a good description of Soviet aid agreements. Another

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*The CPSU Central Committee also met in early May 1958.

Soviet motivation probably was the 2 July 1958 arrival of Nasser in Yugoslavia for a two-week unofficial visit, during which the Yugoslavs undoubtedly will call the Egyptian president's attention to the Soviet aid manipulations. One of the credits suspended in the 27 May 1958 note was a joint USSR-GDR loan of \$175 million for the construction of an aluminum plant. The 27 May Soviet note said that the joint credit suspension had been coordinated with the East German regime.

9. There is little reason to doubt that the USSR also "coordinated" the Yugoslav-GDR agreement to increase mutual trade by \$28 million. This agreement was signed on 30 June 1958 in Berlin. CEMA, the Soviet Bloc's Council for Mutual Economic Assistance, on 2 July 1958 announced the setting up of a series of new committees "to increase economic cooperation" among communist countries. This mechanism also can be used to "coordinate" in the Satellites such affairs as Bloc economic relations with Yugoslavia.

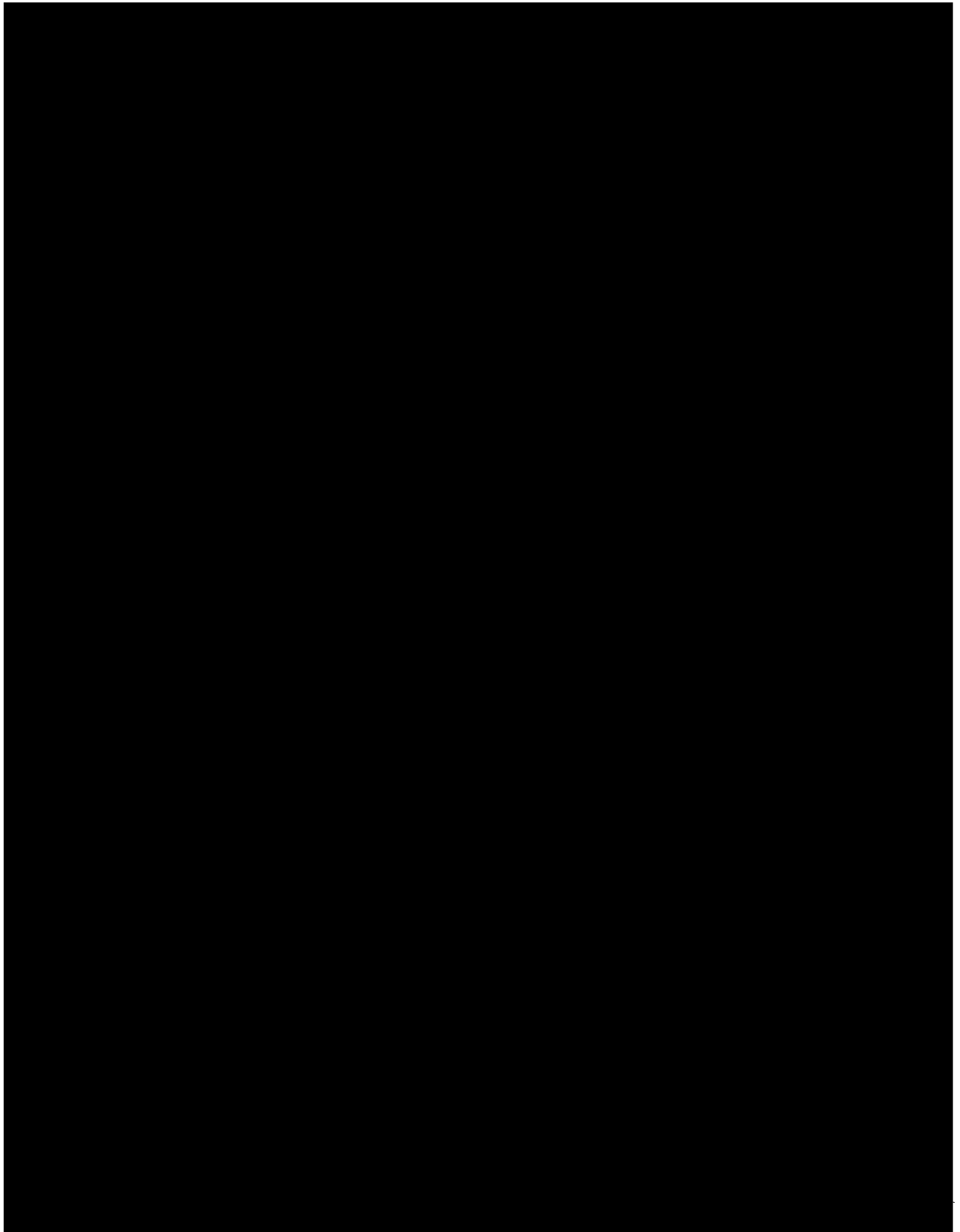
10. The wording of the 28 June Soviet note illustrates the fact that while the Soviet basic decision on Yugoslavia is Stalinist in character, it does not follow that the USSR in its dealings with Belgrade will consistently use the mailed fist approach. It will exploit the situation tactically, which means that either "hard" or "soft" lines may be taken. The fact that Peking radio on 26 June scathingly called Tito a "traitor" and a "turncoat" while two days later Moscow offered to hold talks on the Soviet credits illustrates the fact that Soviet exploitation will not always be entirely black and white. Shades of grey will play their part in the short-run tactical situation.

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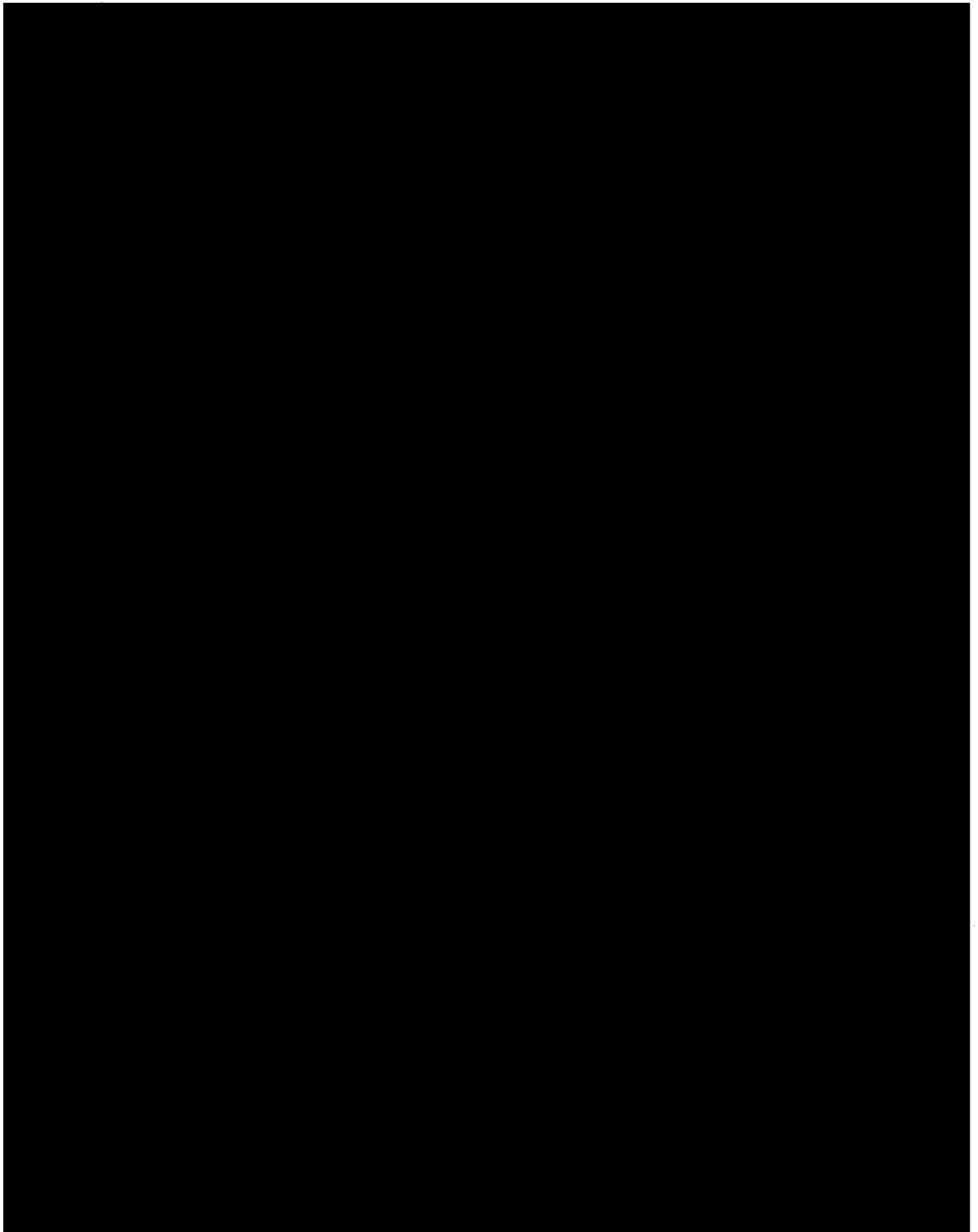
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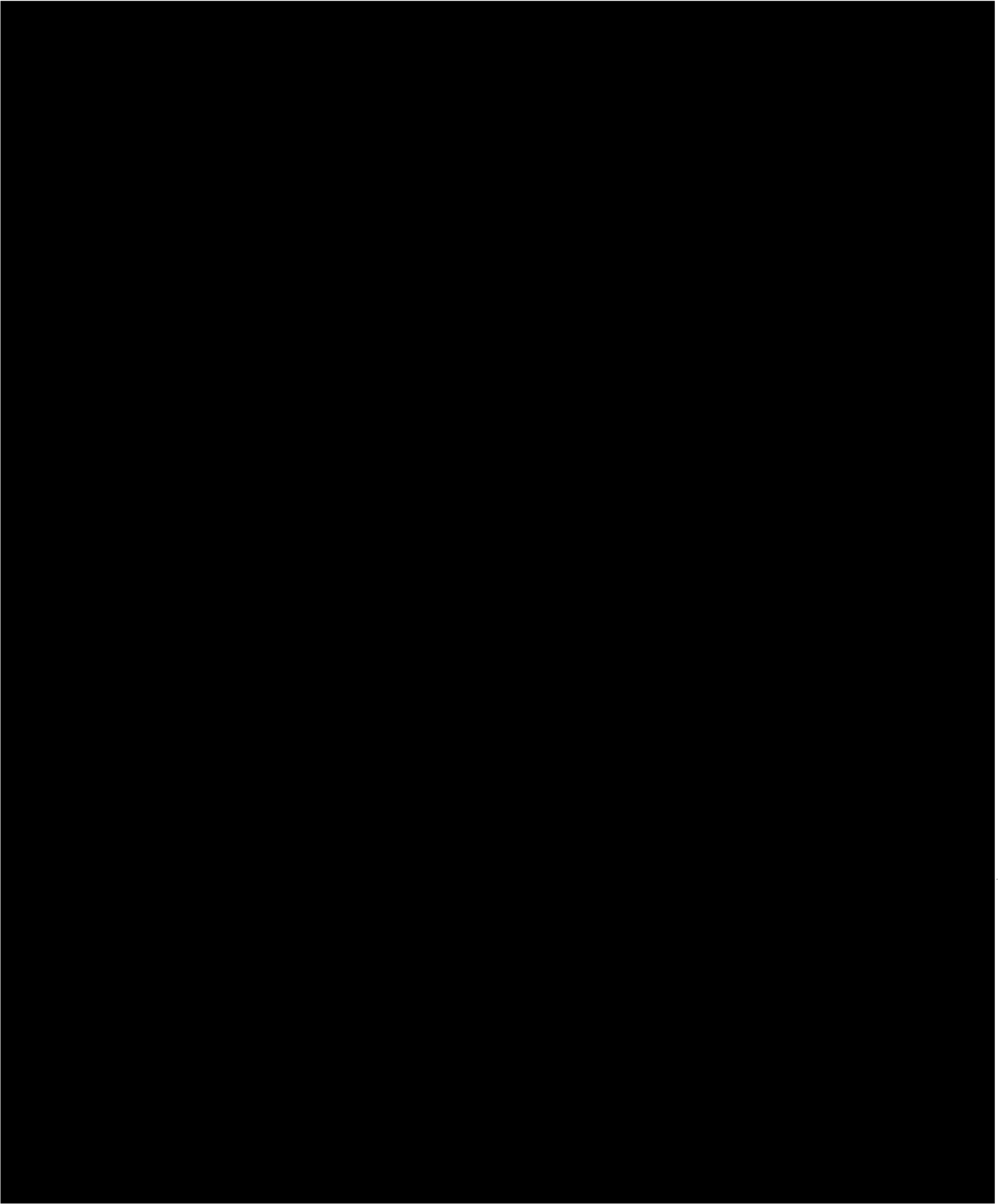
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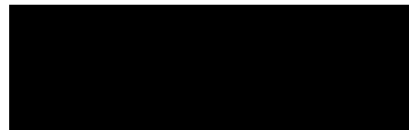
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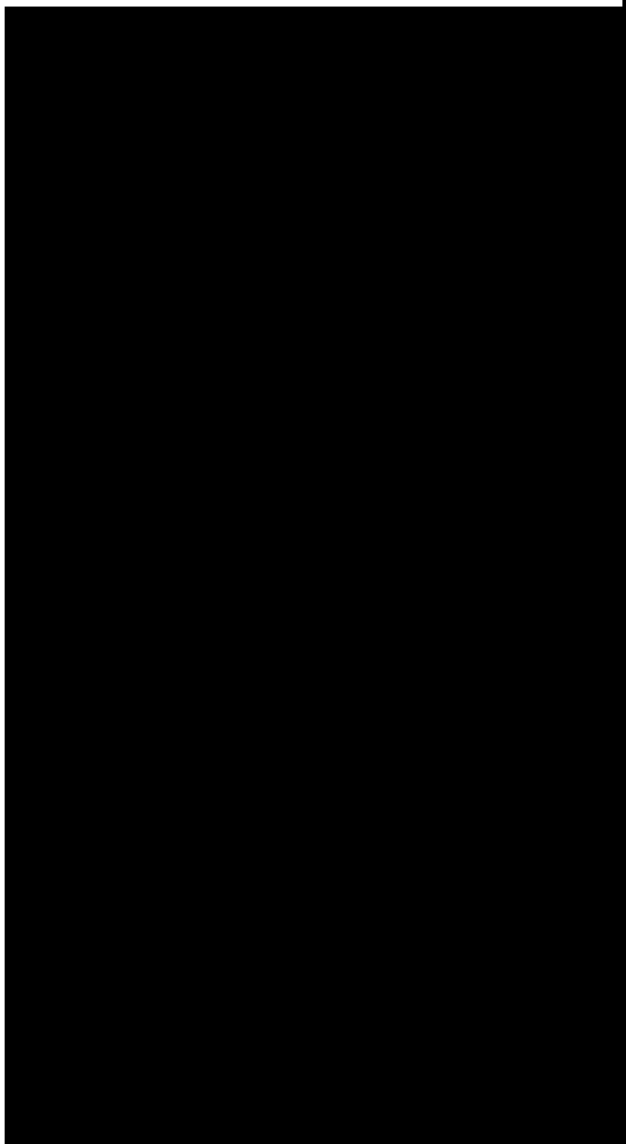
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APPENDIX

Nejko Vlahovic, in a speech at the 9th Plenum of the Federal Committee of the Yugoslav Socialist Alliance (the speech was broadcast in part by Belgrade radio on 24 June 1958 and appears in the 20 June 1958 USSR and East Europe DAILY REPORT, pp. MM2-15), satirized the Moscow-Belgrade relationship over the past decade. Selected quotations from his speech follow:

1. "There are so many forgeries of our program, that they could hardly be squeezed into a book three times as big as the program".
2. "In 1948 revisionism was proclaimed (by the USSR -- Ed.) to be the greatest danger. In 1956 a struggle started against dogmatism as the greatest danger. This year again a hue and cry has been raised against revisionism and it follows somehow that revisionism is the greatest danger during even years, dogmatism during odd years."
3. "Today the main arguments (used by the Soviets against Yugoslavia -- Ed.) are ... the striking force of imperialism, 'Trojan Horse', and so forth. One involuntarily poses the question of why they exerted so much effort to attract that Trojan Horse into the socialist camp."
4. "The past campaign caused us direct economic damage of 600 billion dinars. According to rough estimates the propaganda campaign alone cost the socialist camp about \$400 million during five years. During May (1958) PRAVDA carried 57.5 columns, which is a full 9.5 pages of material. Against Yugoslavia, ... In that way, if the campaign continues at its present rate, the credits earmarked for the construction of the combined aluminum works and the artificial fertilizer factory will be spent on other artificial products which can only help the weeds to grow."
5. "During the pause when there was no trouble with the East, there were always groups in the West which waged campaigns against our country because of the Chetniks, because of Djilas, because of Krekic. For decades they struggled to save our souls. First our souls were being saved by policemen, then (word indistinct) propaganda accused us of selling our souls to Stalin, then Stalin accused us of selling our soul to fascism; recently we were accused in the West of selling our souls to Khrushchev, and Khrushchev is accusing us now of planting our revisionist soul in the Trojan Horse."
6. "The cancellation of the credit was intended to prevent the realization of the perspective plan, similar to 1948 when they tried to prevent the realization of the first five-year plan through an economic blockade."

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